



The Heart of Southern California
Wine Country

Fiscal Year 2016-17
Annual Operating Budget
&
Capital Improvement Program

City Council Workshop
May 26, 2016



Budget Workshop Agenda

- Introduction
- FY2016-17 Highlights
 - 5-Year Capital Improvement Program
 - Annual Operating Budget
 - Temecula Community Services District
- 5-Year Financial Plan
- Join the Conversation Update
- Discussion

Introduction

- FY2016-17 is Fiscally Balanced
 - Improving revenues
 - Concerned about fiscal outlook
- FY2015-16 Recap
 - Noted Looming Structural Budget Challenge
 - Council Subcommittee Formed
 - Community Feedback



Introduction

- History of Balanced Budgets
 - Strategic Decisions
 - Reduced expenditures to match expected revenues
 - Reduced 52.5 benefitted positions
 - Maintain vacant positions in Police
 - Preserved Economic Uncertainty reserves
- Balancing Future Budgets
 - Necessary cuts are contrary to Preliminary Community Feedback



Introduction

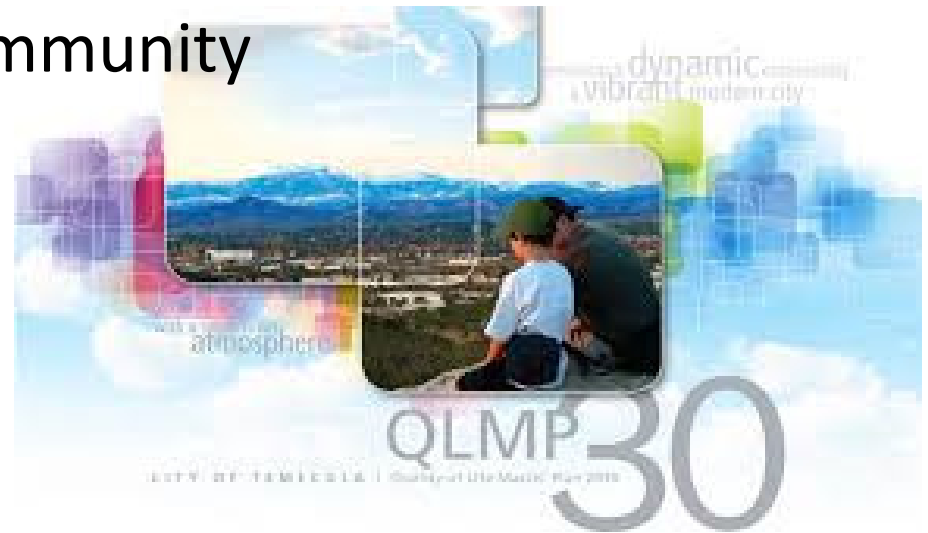


• City Profile

- Population: 109,064 (up 0.13% from 2015)
- Median Age: 34.5 years (up from 34 in prior year)
- Number of Households: 34,559 (up 2% from prior year)
- Average Household Income: \$94,001 (up 9.5% from prior year)
- April Median Home Price: \$435,000 (up 8% from April 2015)
- Number of Jobs: 50,493 (up 2.4% over prior year)
- Temecula Unemployment (April): 4.1% (down 0.4% from prior year)

Introduction

- Quality of Life Master Plan Core Values
 1. Healthy and Livable Community
 2. Economic Prosperity
 3. A Safe and Prepared Community
 4. A Sustainable City
 5. Transportation Mobility and Connectivity
 6. Accountable and Responsive City Government



Fiscal Years 2017-21 Capital Improvement Program



Capital Improvement Program

Fiscal Years 2017-21

Highlights:

- 49 Capital Projects
- \$485.4M in total project costs
 - \$352.9M programmed to complete projects
 - \$132.5M spent-to-date
 - \$194.8M funded
- \$32.5M appropriated in FY16-17
- \$66.5M carried over from prior years

Capital Improvement Program

Fiscal Years 2017-21

Type of Project	Number of Projects	Cost to Completion
Circulation	19	\$299,177,754
Infrastructure/Other	23	\$35,031,390
Parks and Recreation	6	\$6,206,943
SARDA/Housing	1	\$12,480,632
TOTAL	49	\$352,896,719

Capital Improvement Program

Fiscal Years 2017-21

New CIP Projects

- Ynez Road Improvements (\$3.4M)
 - ✦ Road widening from Rancho Vista to La Paz
- Fiber Optic Communications System Upgrades (\$1.3M)
 - ✦ \$1.2M grant-funded (HSIP)
- 6th Street Sidewalks Improvements (\$93k)
 - ✦ \$73k grant-funded (BEYOND)
- Teen Center (\$8.7M *unspecified funding*)
 - ✦ Design (\$645k) to be funded in FY17-18
- Public Safety Tribute/Memorial (unfunded)



Capital Improvement Program

Fiscal Years 2017-21

Circulation Projects

19 Projects totaling \$299,177,754

- French Valley Parkway/
I-15 Phase II (\$52.7M)
- I-15/State Route 79
Ultimate Interchange (\$50.7M)
- Pechanga Parkway
Widening (\$5.0M)



Capital Improvement Program

Fiscal Years 2017-21

Circulation Projects

19 Projects totaling \$299,177,754

○ Pavement Rehabilitation Program (FY16-17 = \$6.1M)

- ✦ Overland Drive (\$450k)
- ✦ Temecula Parkway (\$550k)
- ✦ Margarita Road (\$4M)



Capital Improvement Program

Fiscal Years 2017-21

Infrastructure Projects

23 Projects totaling \$35,031,390

- Library Parking – Phase II (\$2.9M)
- Temecula Park & Ride (\$2.7M)
- Technology Projects (\$2.1M)
 - ✦ Fiber Optic Communications
 - ✦ Citywide Surveillance
- Sidewalk Projects (\$951k)
- Bike Lane & Trail Program (\$464k)
- City Facilities Rehabilitation (\$365k)
- ADA Transition Plan (\$250k)



Capital Improvement Program

Fiscal Years 2017-21



Parks & Recreation Projects

6 Projects totaling \$6,206,943

- Pennypickle's Workshop Enhancement Project (\$83.9k)
- Flood Control Channel Reconstruction and Repair (\$370k)
- Park Improvement Program (\$321k)
- Playground Equipment Enhancement and Safety Surfacing (\$1M)
- Sam Hicks Monument Park Playground Enhancement (\$714k)



Capital Improvement Program

Fiscal Years 2017-21

SARDA/Housing Projects

Available Funding \$12,480,632

○ Affordable Housing

- ✦ Remaining 2010 & 2011 bond proceeds
- ✦ Specific Project(s) to be identified
 - RFP closed in May
 - Staff to review proposals with the Supportive Housing Subcommittee



Capital Improvement Program

Fiscal Years 2017-21

Next Steps...

May 26th - Public Traffic Safety Commission

June 1st - Planning Commission

June 13th - Community Services Commission

June 14th - City Council, Formal Adoption



Fiscal Year 2016-17 Annual Operating Budget



FY16-17 Annual Operating Budget

General Fund Highlights

Revenue	\$69,409,540
<u>Expenditures</u>	<u>\$69,139,252</u>
Revenue – Expenditures	\$270,288

General Fund Contributions:

- Capital Improvement Projects	\$1,050,973
- Pavement Rehabilitation	\$250,000
- City & Parks Facility Rehabilitation	\$295,000
- <u>Business Incubator Fund</u>	<u>\$295,045</u>
Total Contributions to Other Funds	\$1,891,018

FY16-17 Annual Operating Budget

General Fund

• 7/1/16 Beginning Fund Balance	\$27,507,235
• 6/30/17 Ending Fund Balance	\$25,886,506
• Reserved for Economic Uncertainty (20%)	\$13,827,850
• Secondary Reserve (5%)	\$3,456,963
• Assigned to Pechanga-funded Police Support	\$312,120
• Assigned to Capital Projects	\$847,000
• Available Fund Balance	\$7,442,573

FY16-17 Annual Operating Budget

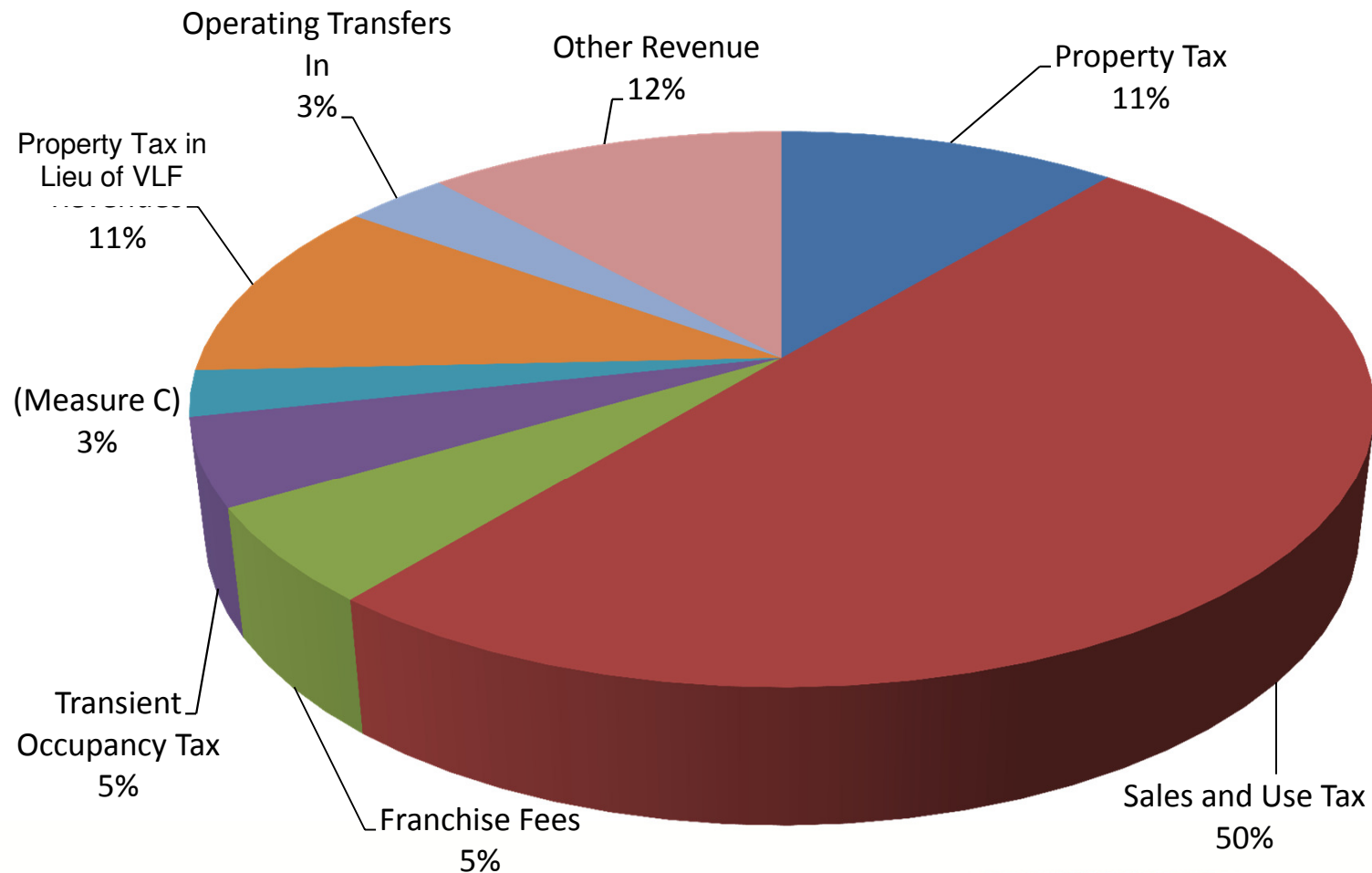
General Fund Revenue = \$69,409,540

General Fund Revenue	FY16-17 Budget	% Change	<u>Assumptions</u>
Property Tax	7,684,429	2.3%	Increased property values
Sales and Use Tax	34,612,665	-1.6%	One-time adjustment in prior year
Franchise Fees	3,864,951	2.4%	Anticipated inflation
Transient Occupancy Tax	3,540,414	8.2%	Increased Occupancy and Rates
Special Tax (Measure C)	1,852,879	0.0%	Flat compared to prior year
Licenses, Permits and Service Charges	4,227,424	-1.2%	Less Planning Permits & Parking Citations
Property Tax in Lieu of VLF	7,391,297	3.8%	Increased property values
Reimbursements	2,855,780	21.8%	Addition of Pechanga IGA (\$312k)
Operating Transfers In	2,341,365	-22.4%	Lower Gas Tax transfer
Other Revenue	1,038,336	57.9%	Prior year adj for loss in investments
Total Revenues	69,409,540	-0.2%	

Absent the Triple Flip payment in FY15-16, Revenue is projected to increase 4.6% over the prior year.

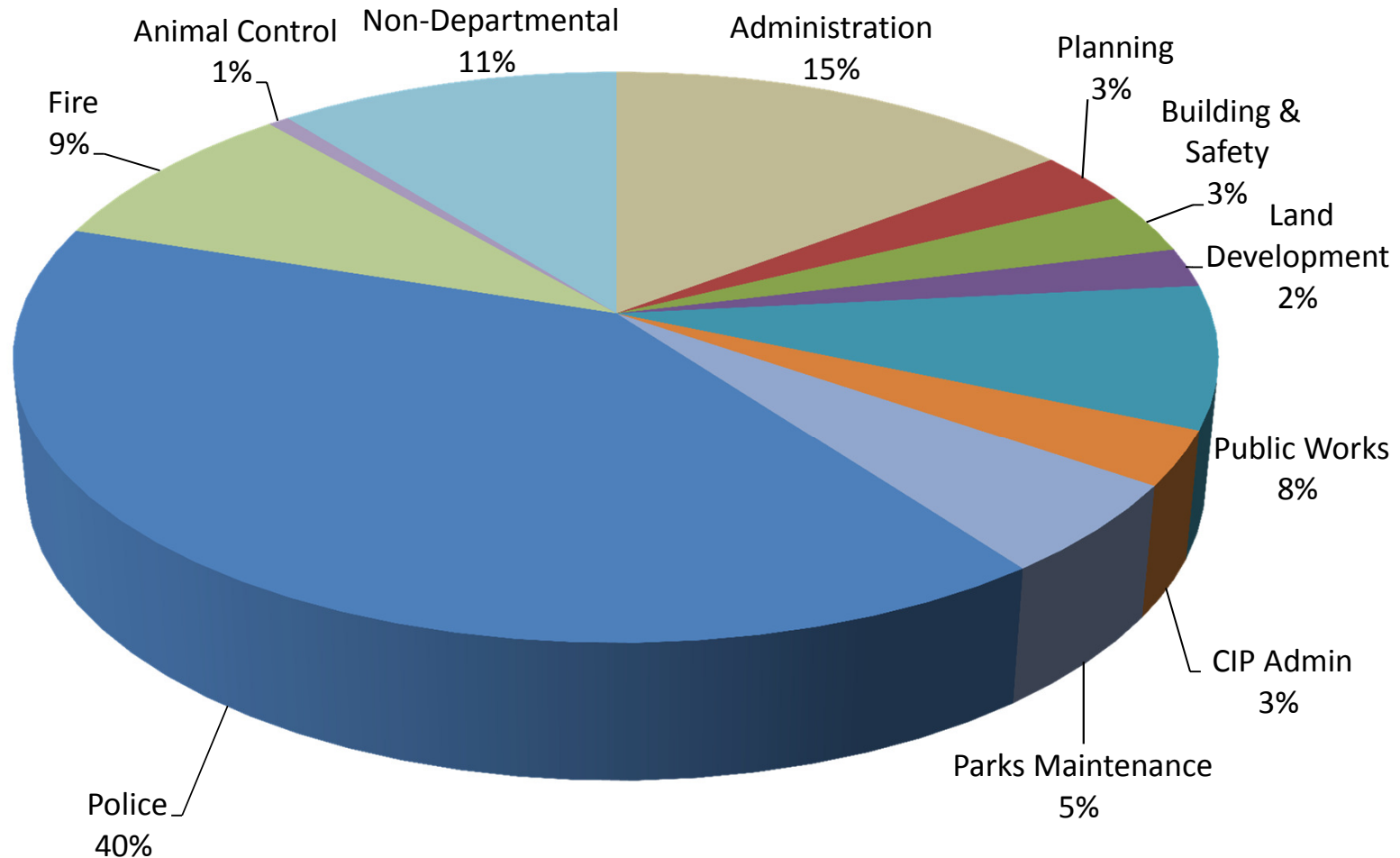
FY16-17 Annual Operating Budget

General Fund Revenue = \$69,409,540



FY16-17 Annual Operating Budget

General Fund Expenditures = \$69,139,252



FY16-17 Annual Operating Budget

General Fund Expenditures:

- Police Department (40.2% of General Fund)
 - Operating budget = \$27,782,478
 - Includes replacement of motorcycle (\$30k) & Police service dog (\$21k)
- Total staffing = 135
 - 100.5 sworn officers
 - 19 community service officers
 - 16 administrative
 - Includes 1 new sworn officer
 - Added 1/1/17 (per Pechanga IGA)



FY16-17 Annual Operating Budget

General Fund Expenditures:

- Police Department (continued)
 - Assumes 8% increase in Sheriff Contract
- Continuation of 5 vacant dedicated positions (\$1.2M)
 - SET Officer
 - Motorcycle Officer
 - Accident Investigator
 - 2 Community Service Officers
- Continued cost sharing arrangement with TVUSD (\$356k)
 - 50% for 5 School Resource Officers



FY16-17 Annual Operating Budget

General Fund Expenditures:

- Fire Department (9% of General Fund)
 - Total Staffing = 65
 - Operating Budget = \$13,137,797
 - Less Fire Tax Credit of \$8,280,101
 - General Fund impact of \$6,011,237



- 2% increase over prior year
- Maintaining staffing ratio of 4 personnel/engine

FY16-17 Annual Operating Budget

General Fund Expenditures:

- Community Support Grants (non-profits) = \$89,108
 - \$60,000 annual allocation
 - \$4,108 additional from 2016 Rod Run proceeds
 - \$25,000 Council discretionary funding
- TCSD Funding Contribution = \$5,879,245
 - Recreation = \$4,848,307
 - Library = \$649,542
 - Service Level B – Residential Street Lights = \$381,396

FY16-17 Annual Operating Budget

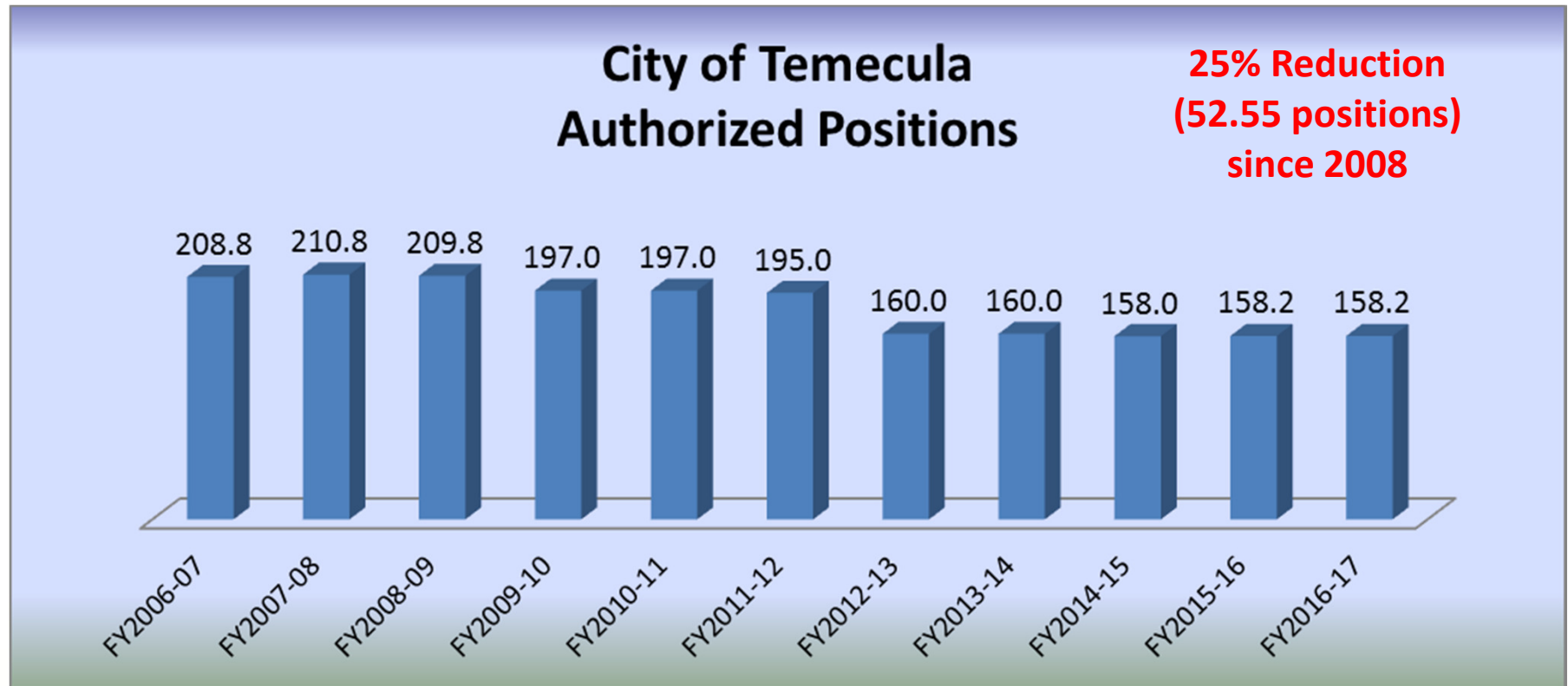
Other Expenditures

- Capital Outlay
 - Public Works crack-seal machine - \$63k (Gas Tax funded)
- Technology Investment (\$187.5k from Replacement Fund)
 - Library firewall replacement - \$50k
 - UPS (power supply) for library - \$7.5k
 - Public Wi-Fi upgrade - \$50k
 - UPS battery replacement Civic Center - \$30k
 - Annual computer equipment lifecycle program - \$50k
- Public, Education & Government (PEG) Investment
 - \$250k in equipment to support PEG-eligible activities

FY16-17 Annual Operating Budget

Maintain Reduced Staffing/Salaries & Benefits

- Staffing levels – 158.2 Authorized Positions
 - including 5 Council Members



FY16-17 Annual Operating Budget

Maintain Staffing/Salaries & Benefits, continued

- Implementation of Reclassification Plan recommendations and Salary Schedule B through the filling of vacant positions
 - 26 positions on Salary Schedule B
- CalPERS pension increase of \$296k
 - Actuarial assumptions changed by CalPERS Board
 - Employer Contribution rate increased from 23.8% to 26%

FY16-17 Annual Operating Budget

Maintain Staffing/Salaries & Benefits, continued

- Pre-payment of CalPERS Pension liability
 - Annual savings of \$124k
- Contribution to Workers' Compensation Fund of \$646k
 - Increases the Self-Insured Retention (SIR) reserve to \$810k
 - Target reserve level is \$1.5M
- Memorandum of Understanding expires 6/30/17

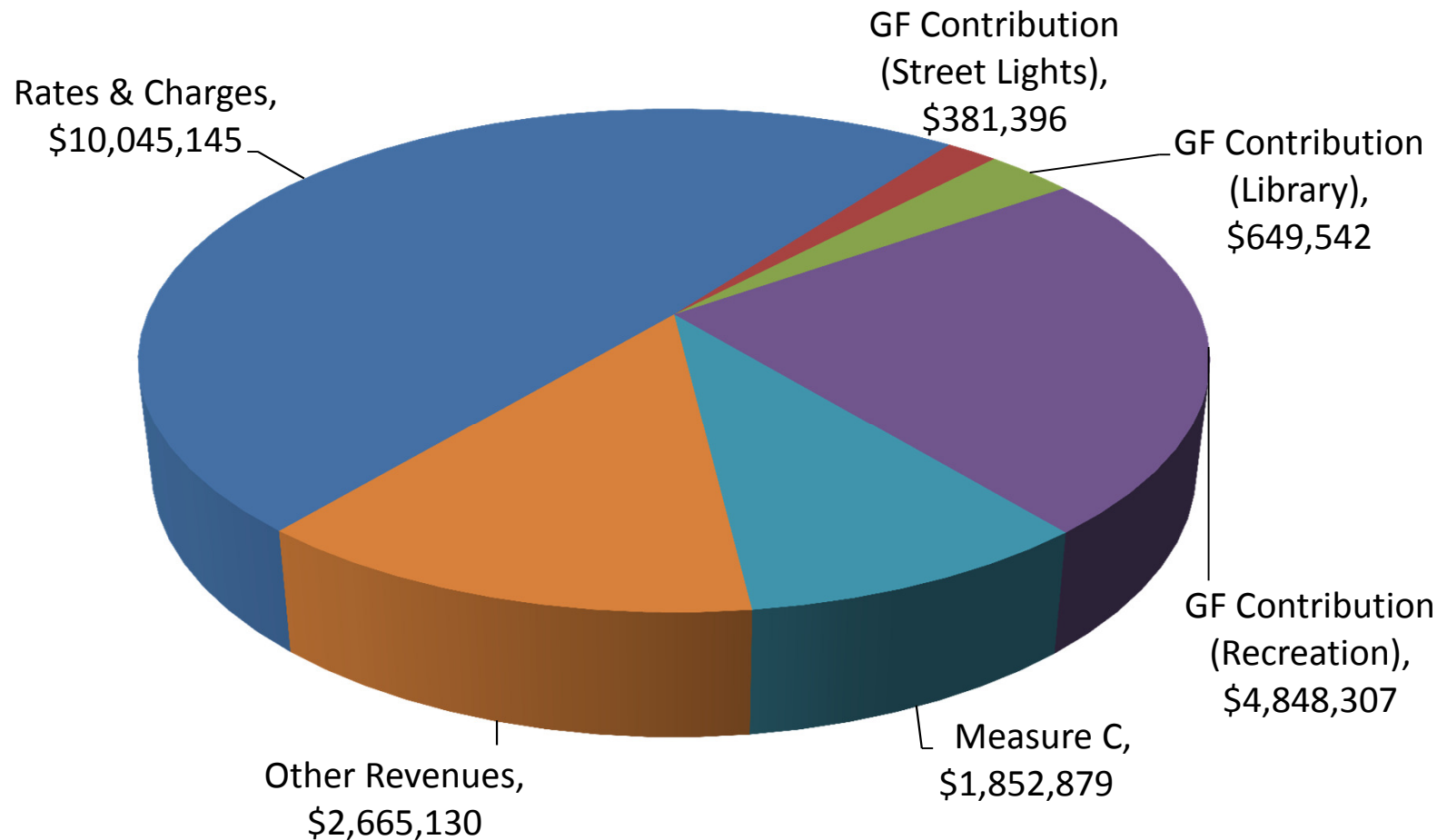


Temecula Community Services District (TCSD)



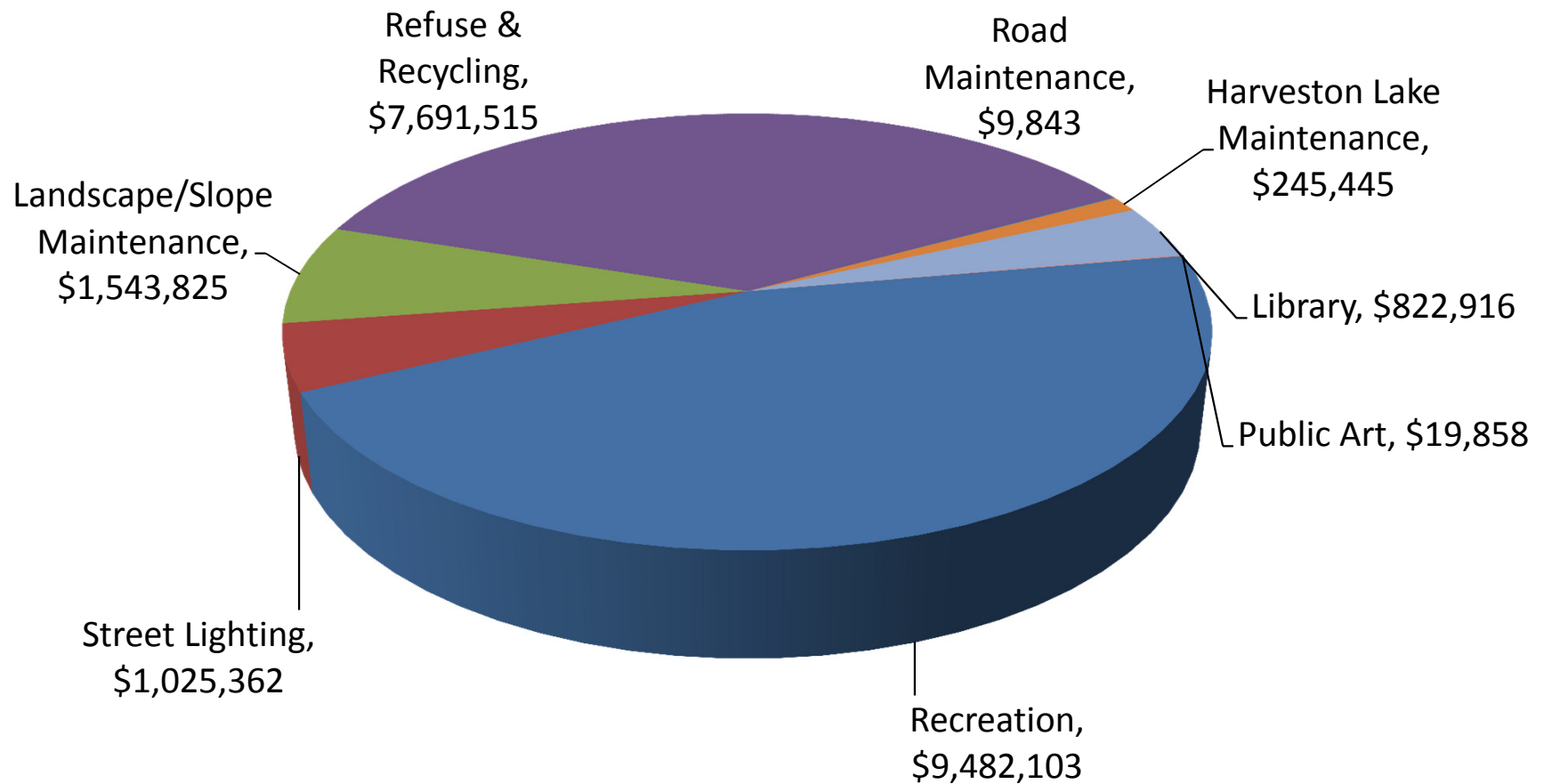
FY16-17 Annual Operating Budget

TCSD Revenue = \$20,517,431



FY16-17 Annual Operating Budget

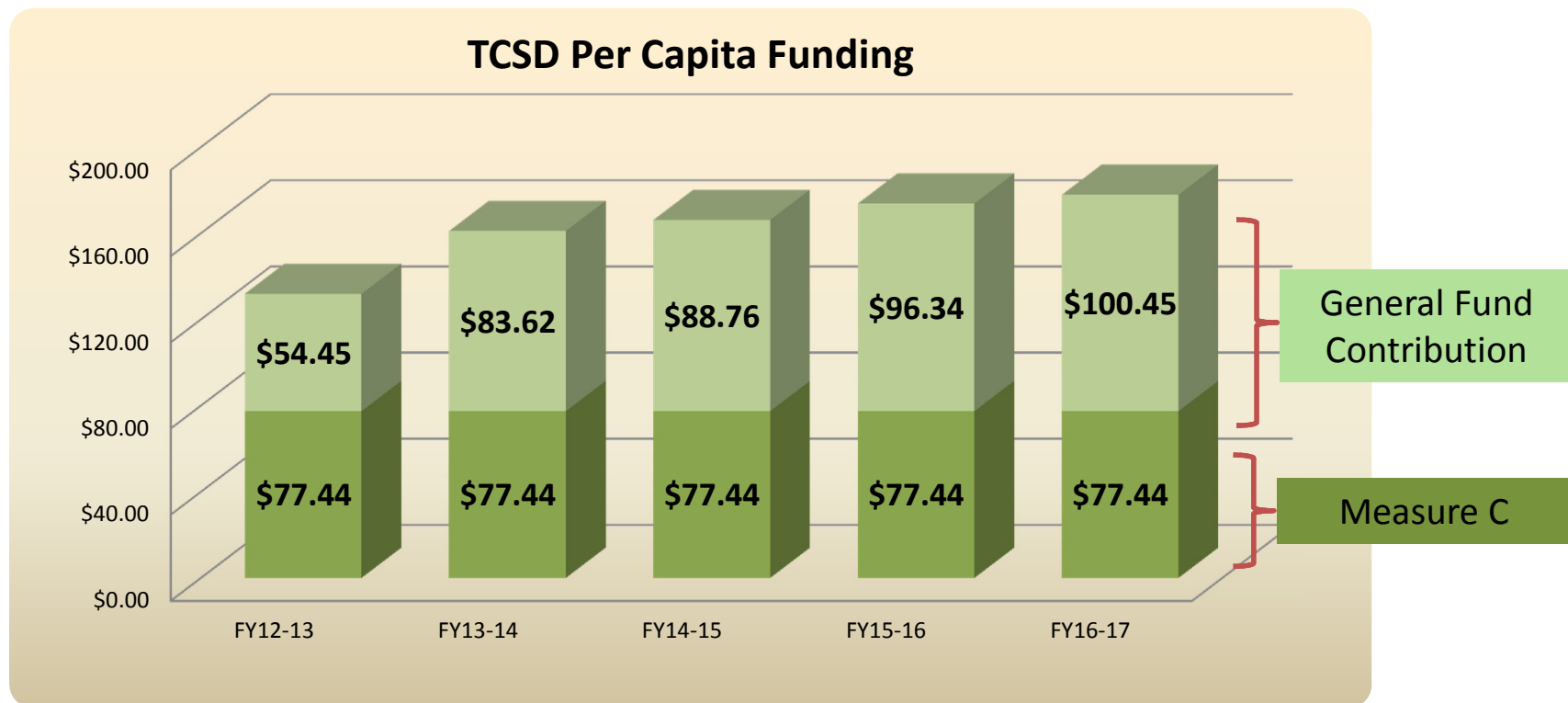
TCSD Expenditures = \$20,840,867



FY16-17 Annual Operating Budget

TCSD Per Capita Funding

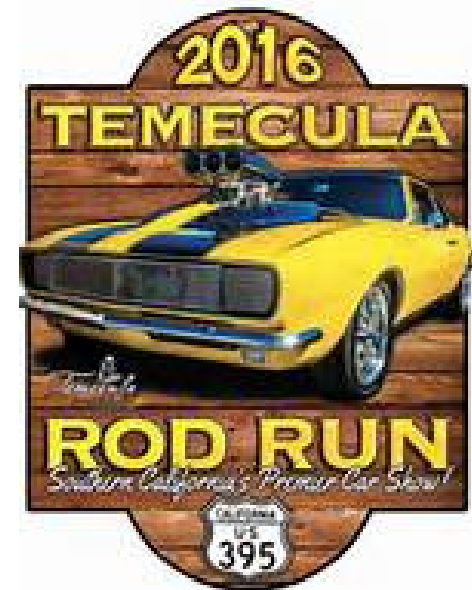
- Measure C was set in 1997 at \$74.44/household
- FY2016-17 projected cost = \$177.89/household



FY16-17 Annual Operating Budget

Temecula Community Services District (TCSD)

- Program Highlights
 - Rod Run event in Old Town
 - Signature, Special & Community Events
 - 4th of July parade
 - Fireworks show
 - Santa's Electric Light parade
 - Temecula on Ice
 - Veterans Day event
 - 9/11 ceremony
 - Collaboration with Old Town Temecula Association and Visit Temecula Valley on seasonal attractions



FY16-17 Annual Operating Budget

Temecula Community Services District

- Program Highlights
 - Utilization of former YMCA facility to offer additional contract classes
 - Continuation of Human Services programs
 - Expanded programming at Eagle Soar Playground & Splash Pad
 - Explore recommendations from the Senior Services Master Plan process
 - Expand Museum outreach to elementary schools
 - Temecula Treasures program



FY16-17 Annual Operating Budget

Temecula Community Services District (TCSD)

- Program Highlights
 - Quality sports, recreation and aquatics programs
 - Safeguarding of our parks and open spaces through the Park Ranger program
 - “Responsible Compassion” program administration



Successor Agency to the Redevelopment Agency (SARDA)



FY16-17 Annual Operating Budget

SARDA Operating Budget

- Debt Service \$6,608,559
- Enforceable Obligations \$1,246,499
 - Abbott OPA
 - Abbott DDA
 - Affordable Housing Obligations



Next Steps:

The Proposed Operating Budget along
with the CIP will be presented to the
City Council for formal adoption
on June 14th



5-Year Financial Plan



5-Year Financial Plan

Long Range Financial Plan

- Long-range, responsible fiscal planning serves as a valuable tool to evaluate the City's ability to fund programs and services
 - Alerts decision makers early enough to course-correct if trends indicate financial concerns
- 5-Year projections are prepared for the General Fund and TCSD

5-Year Financial Plan

General Fund

- Operating Revenues are projected at a realistic growth rate, based on known trends and information
- Expenditures are outpacing revenues due to:
 - Rising Public Safety costs
 - Police ~5-8% growth per year
 - Fire ~2-7% growth per year
 - Rising CalPERS pension costs
 - City's rates projected to increase by 8% in next 5 years
 - Law Enforcement pension costs projected to increase by 11% in next 5 years



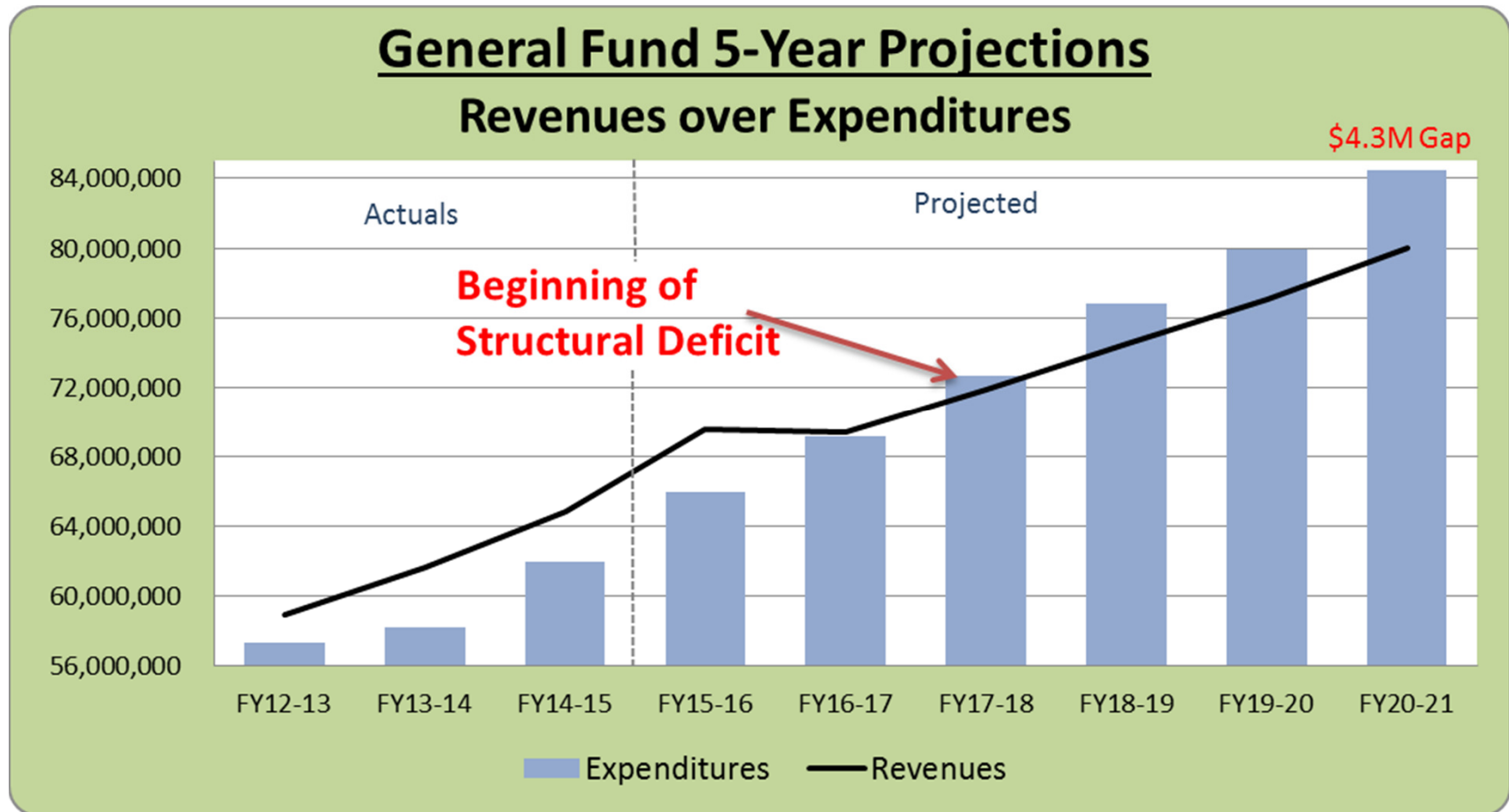
5-Year Financial Plan

General Fund

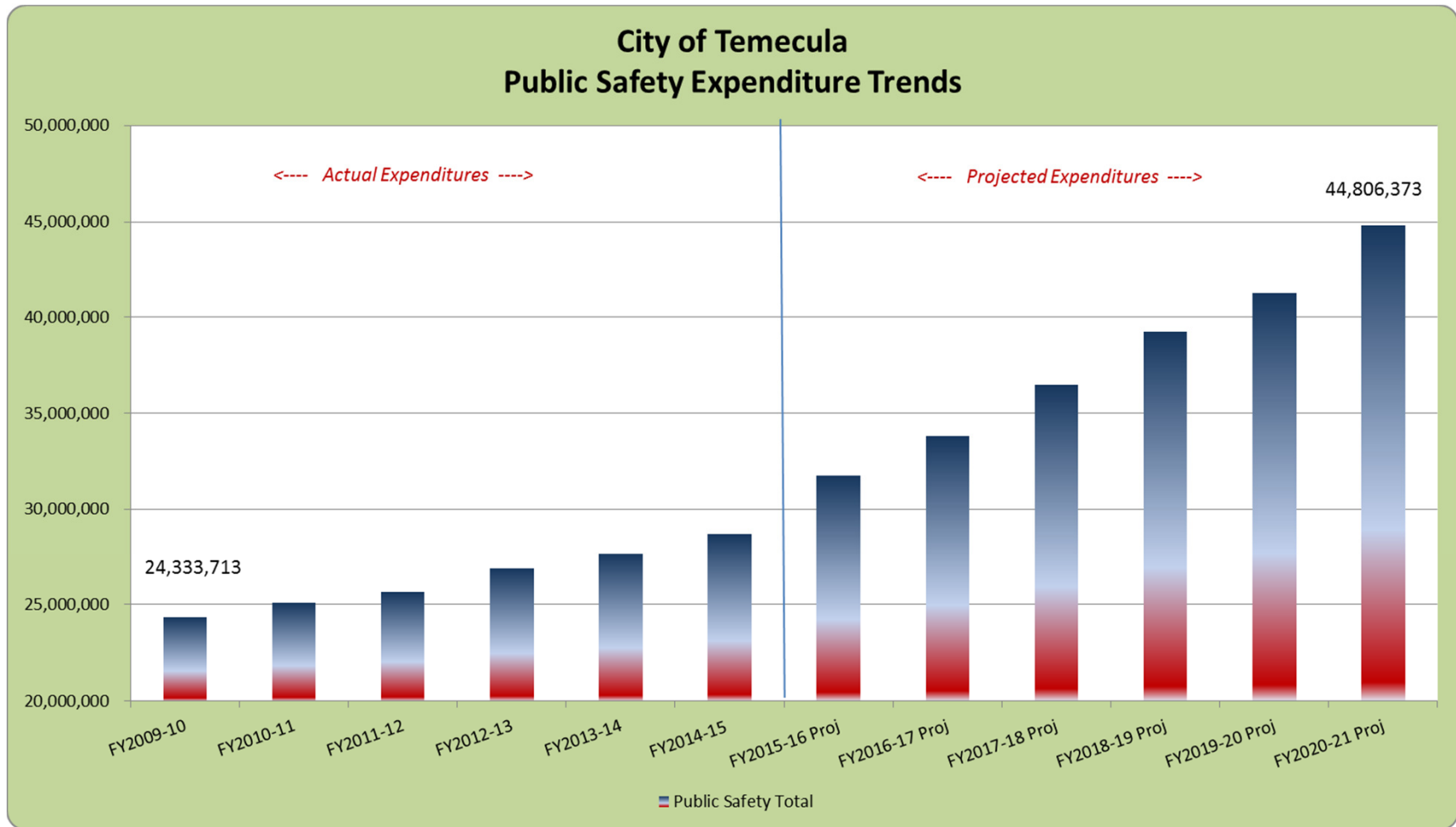
- A structural deficit is projected to occur beginning in Fiscal Year 2017-18
 - Revenues over Expenditures = (\$723,691)
- Fall short of meeting Policy-level reserves of 25% in FY 2018-19
- By Fiscal Year 2020-21, the projected structural deficit will reach \$4.5 million/year unless budget-balancing measures are not implemented within the next year
 - Fund Balance will fall from \$25.9M to \$13.4M

5-Year Financial Plan

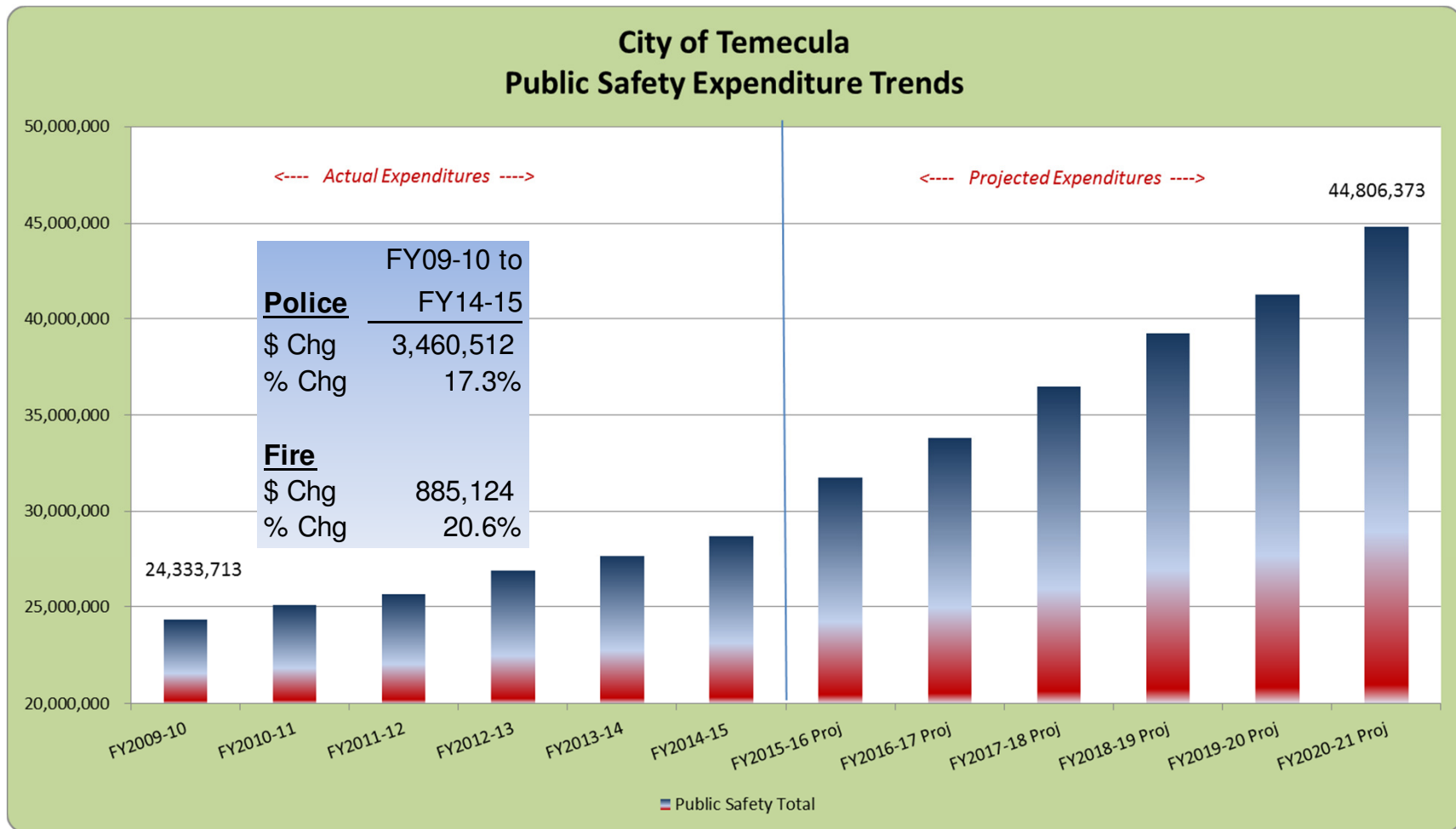
General Fund Trends – as of FY2016-17



5-Year Financial Plan

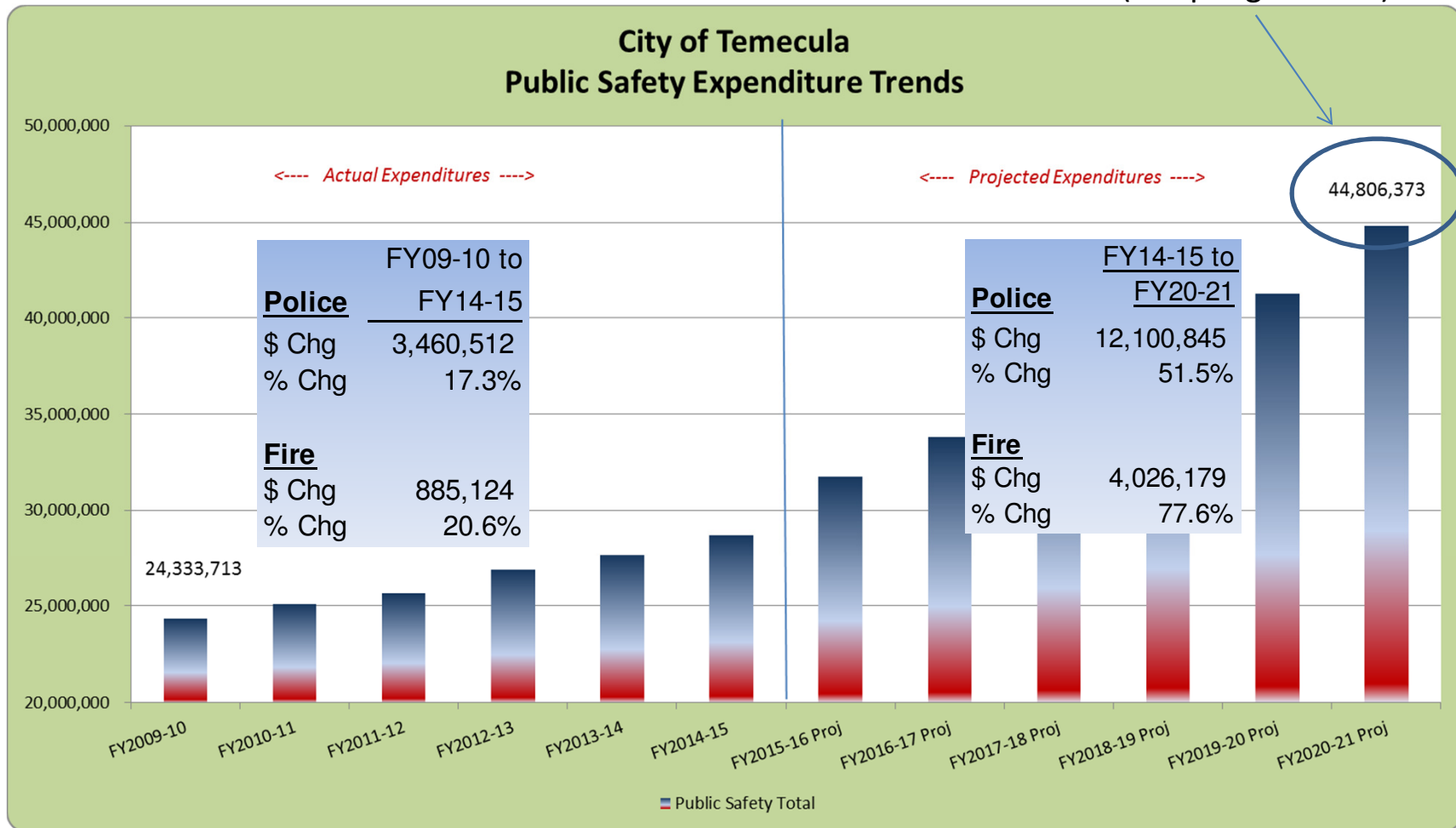


5-Year Financial Plan



5-Year Financial Plan

Includes the Opening of
Fire Station No. 95
(Roripaugh Ranch)

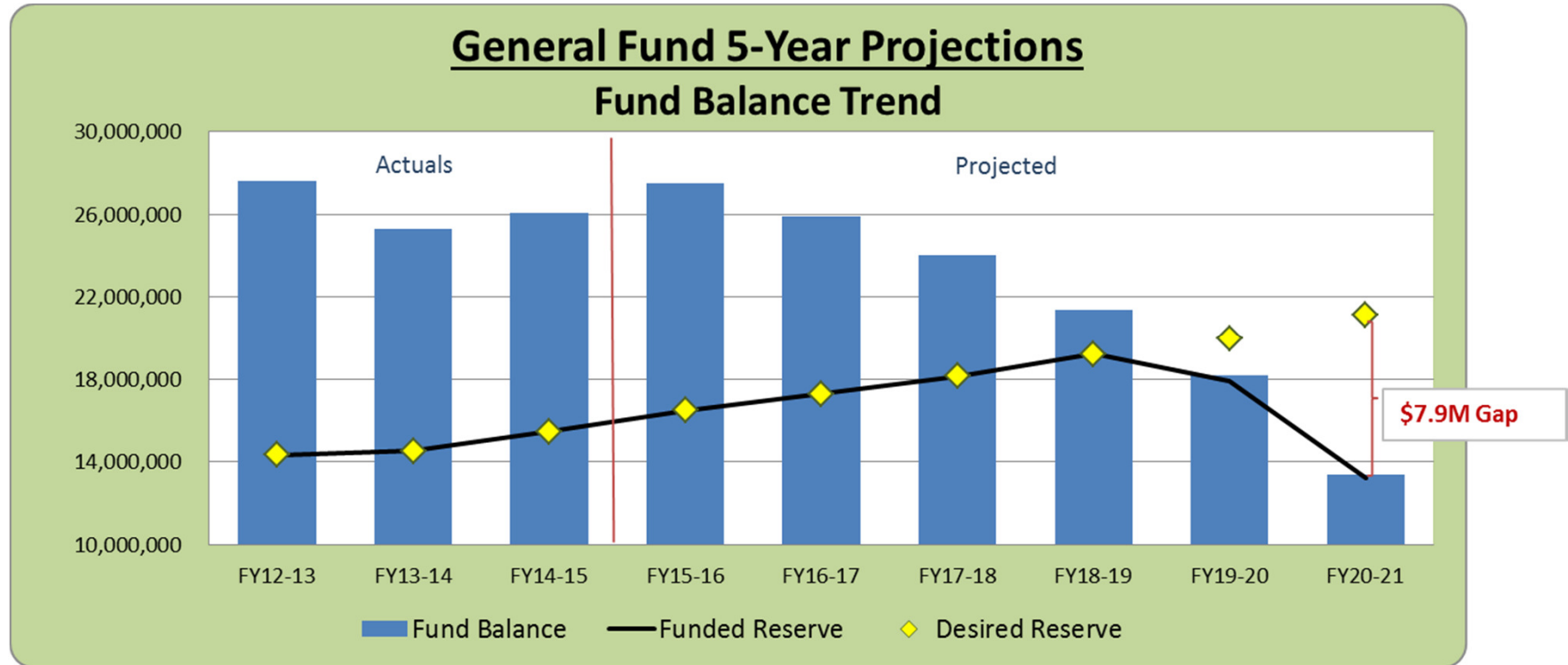


Temecula is 9 officers below what is recommended for its population

5-Year Financial Plan

General Fund Balance

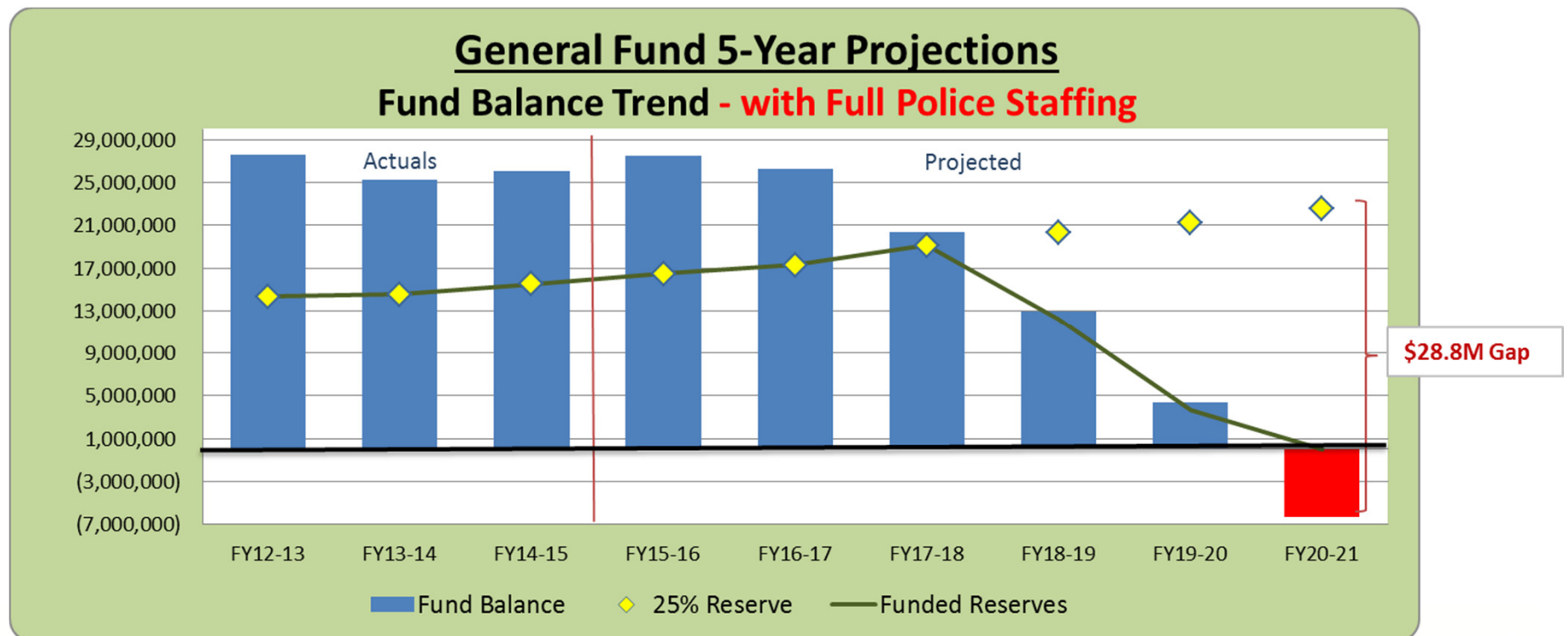
- With the projected structural deficit, the General Fund will be \$7.9M short in meeting its Policy-Level Reserves of 25% by 2020



5-Year Financial Plan

General Fund Balance

- If the City maintained the 1:1000 ratio for Public Safety, General Fund Balance would be depleted by year 5
 - \$6.6M negative balance, \$28.8M short of Policy-level Reserves



5-Year Financial Plan

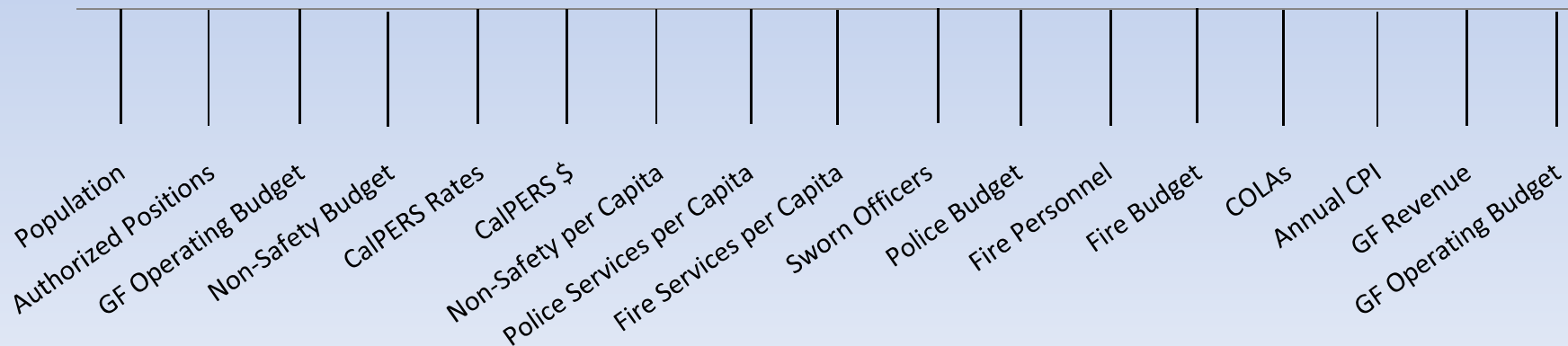
Balancing the 5-Year

- Limited Options:
 - Continue to decrease expenditures (service delivery) to fit within available resources, including potential cuts to Public Safety services affecting paramedic, police and fire response
 - Staff has identified a variety of alternative reduction measures to balance the 5-Year projection
 - Increase revenues to keep pace with projected expenditure growth over next 5 years
 - Fee Study update is underway to ensure adequate cost recovery for development-related fees

5-Year Financial Plan

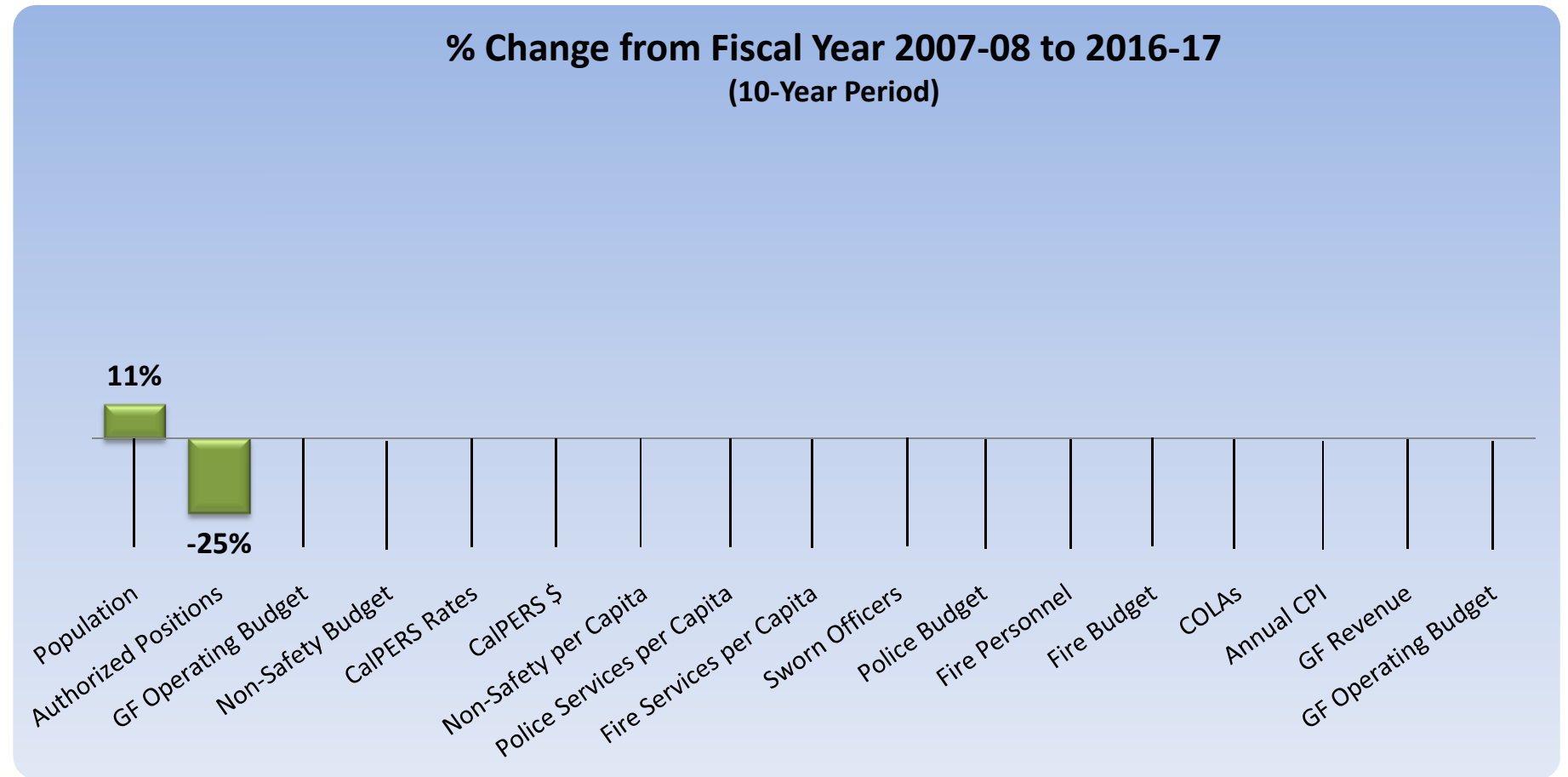
10-Year History of Cost Containment Measures

**% Change from Fiscal Year 2007-08 to 2016-17
(10-Year Period)**



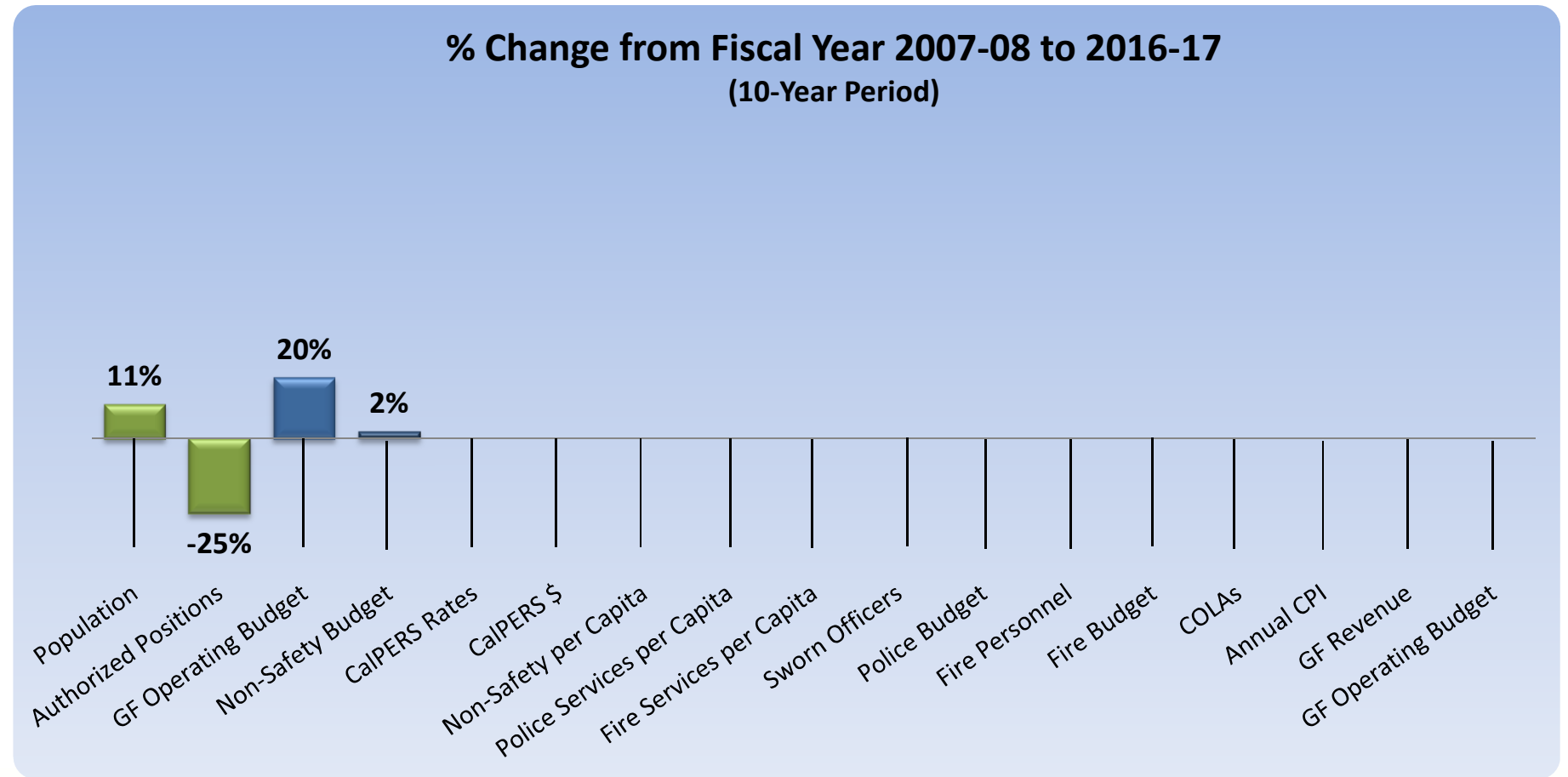
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10-Year History of Cost Containment Measures



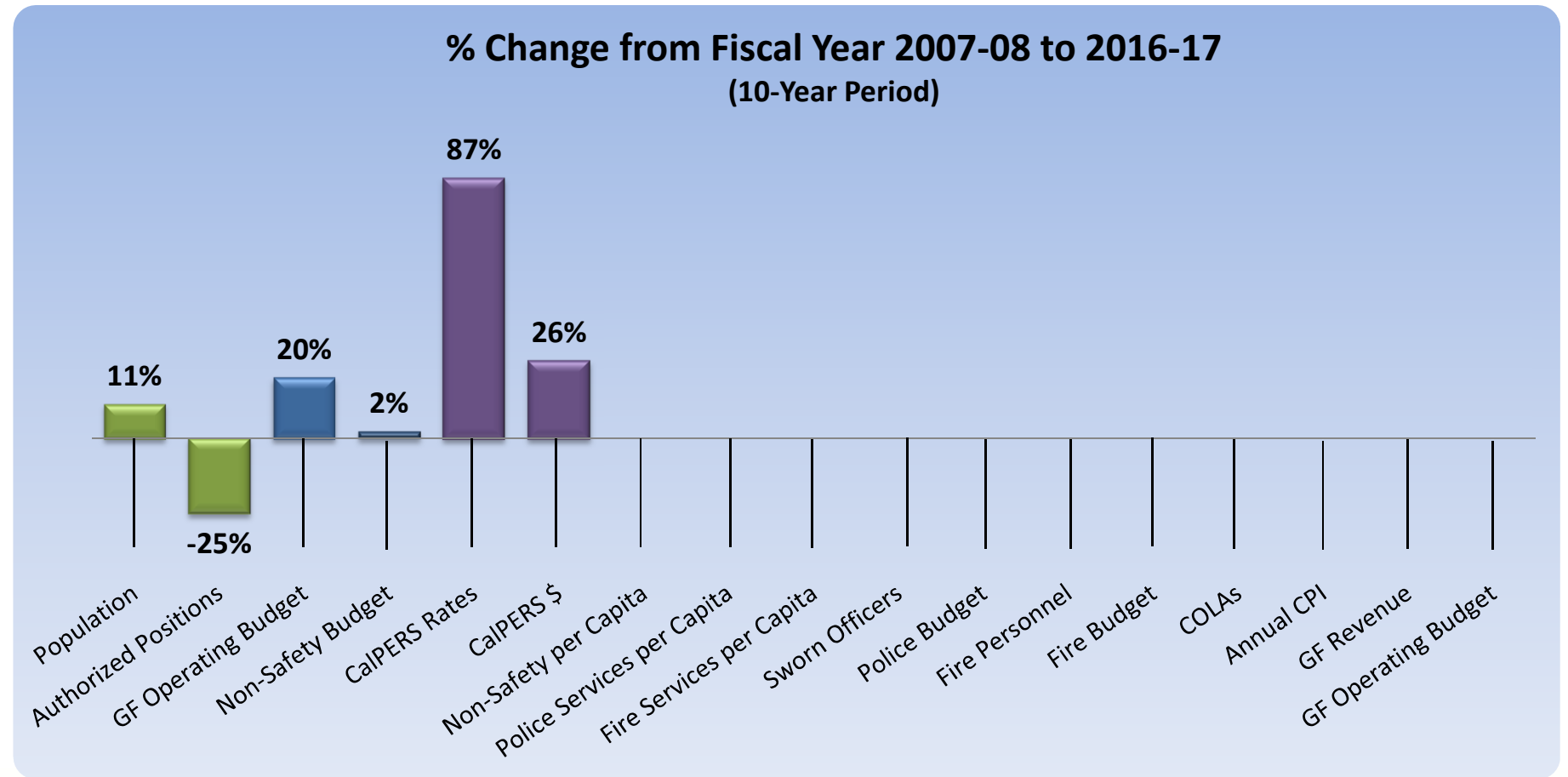
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10-Year History of Cost Containment Measures



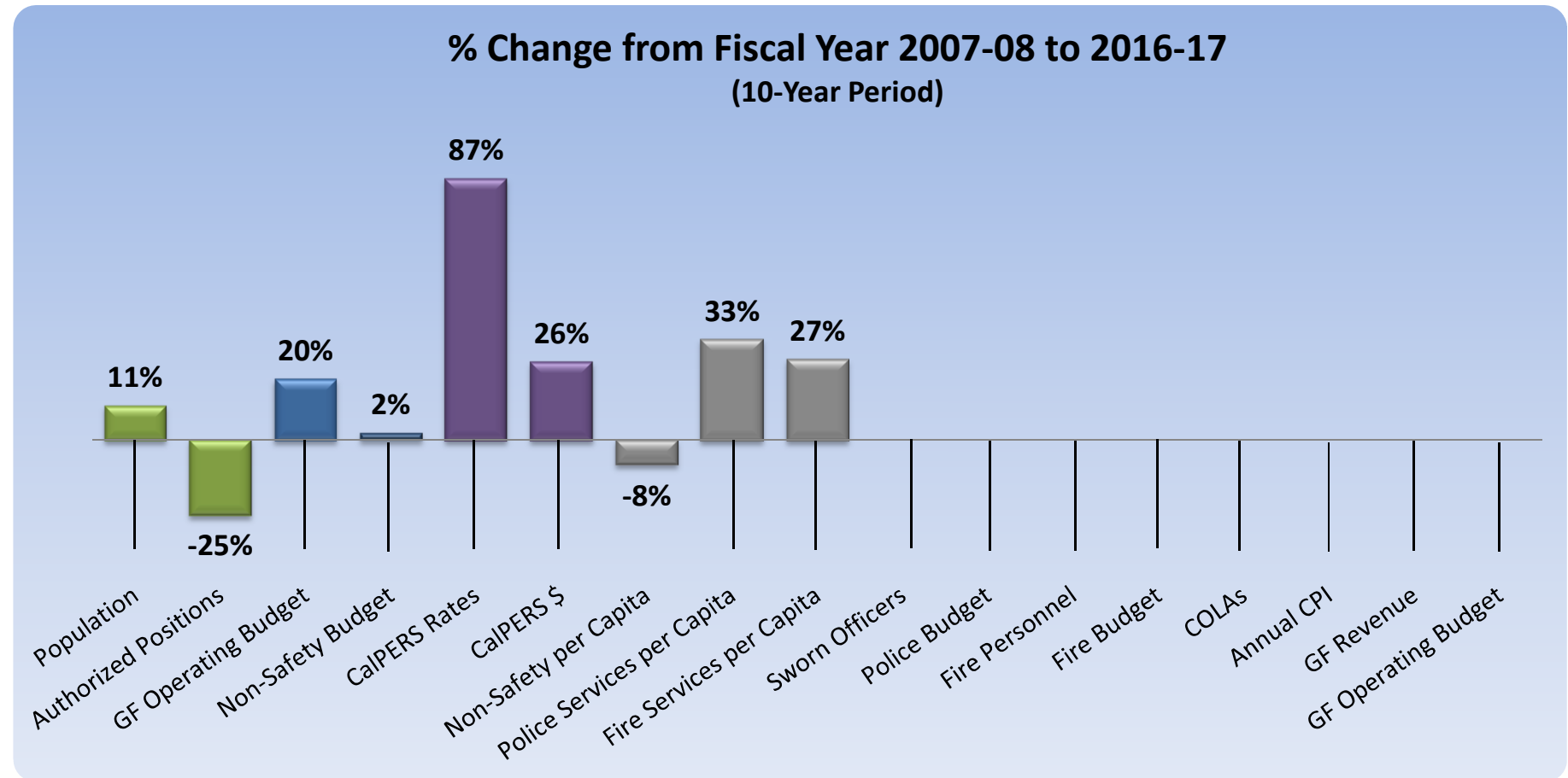
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10-Year History of Cost Containment Measures



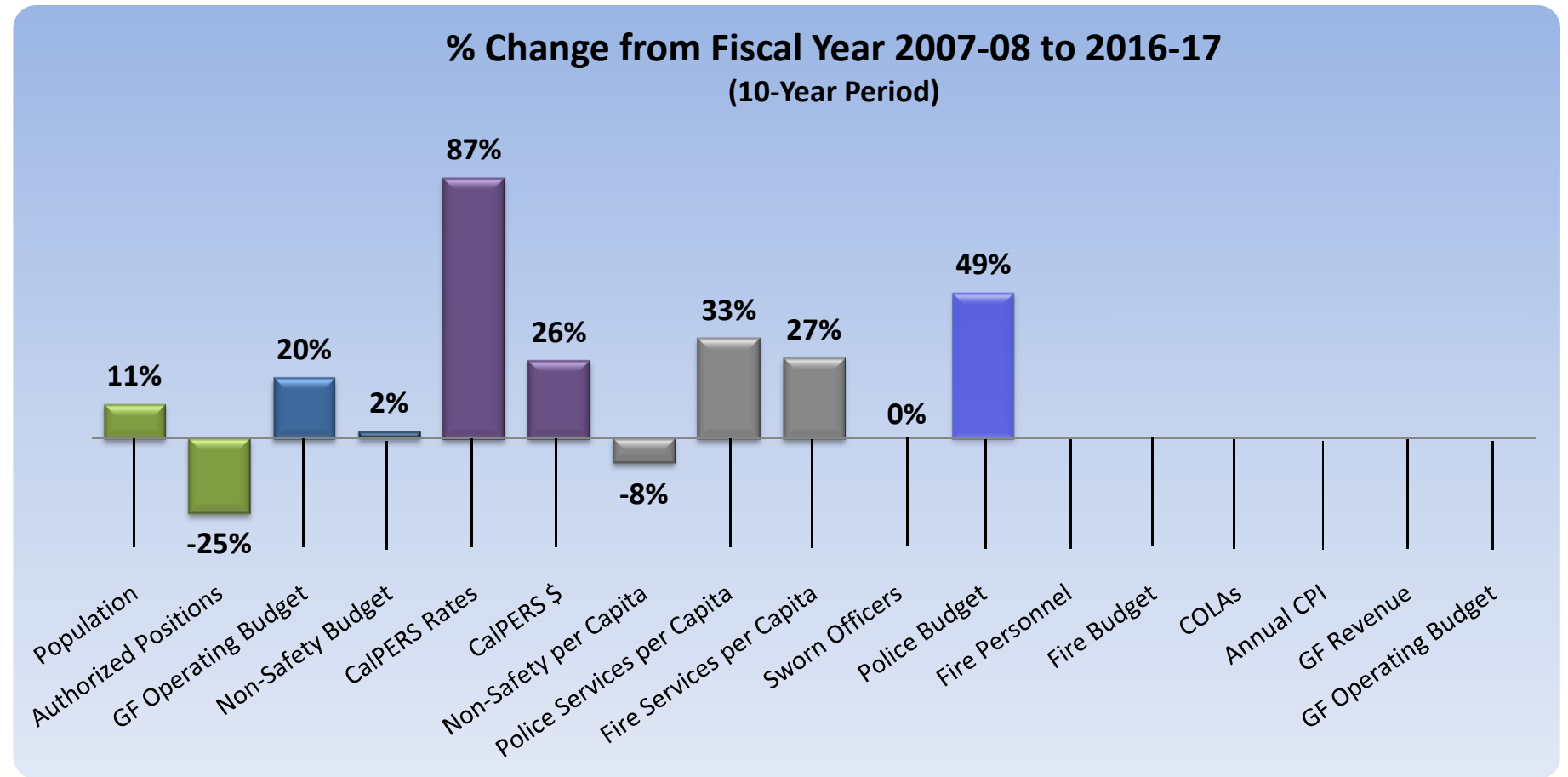
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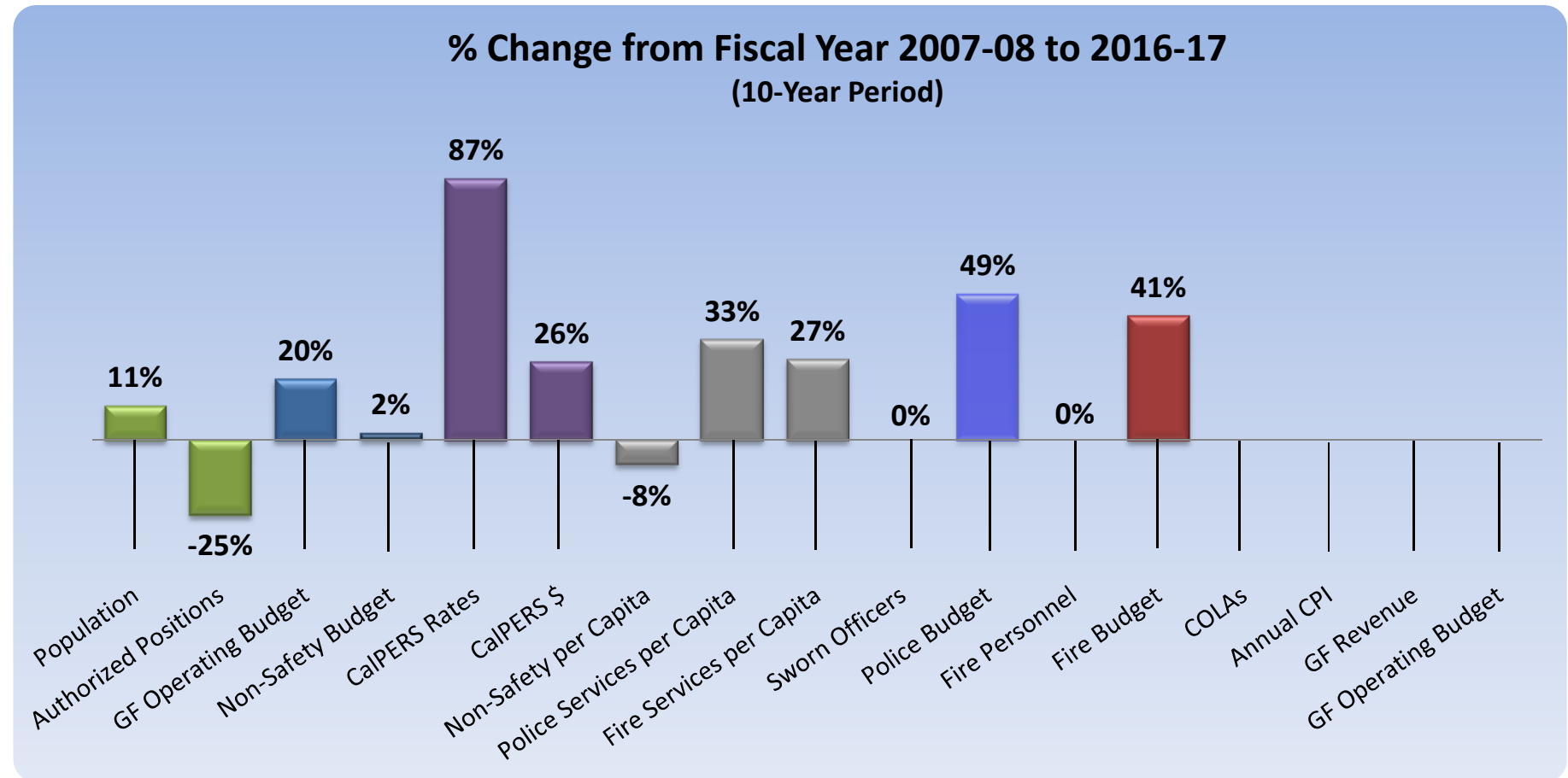
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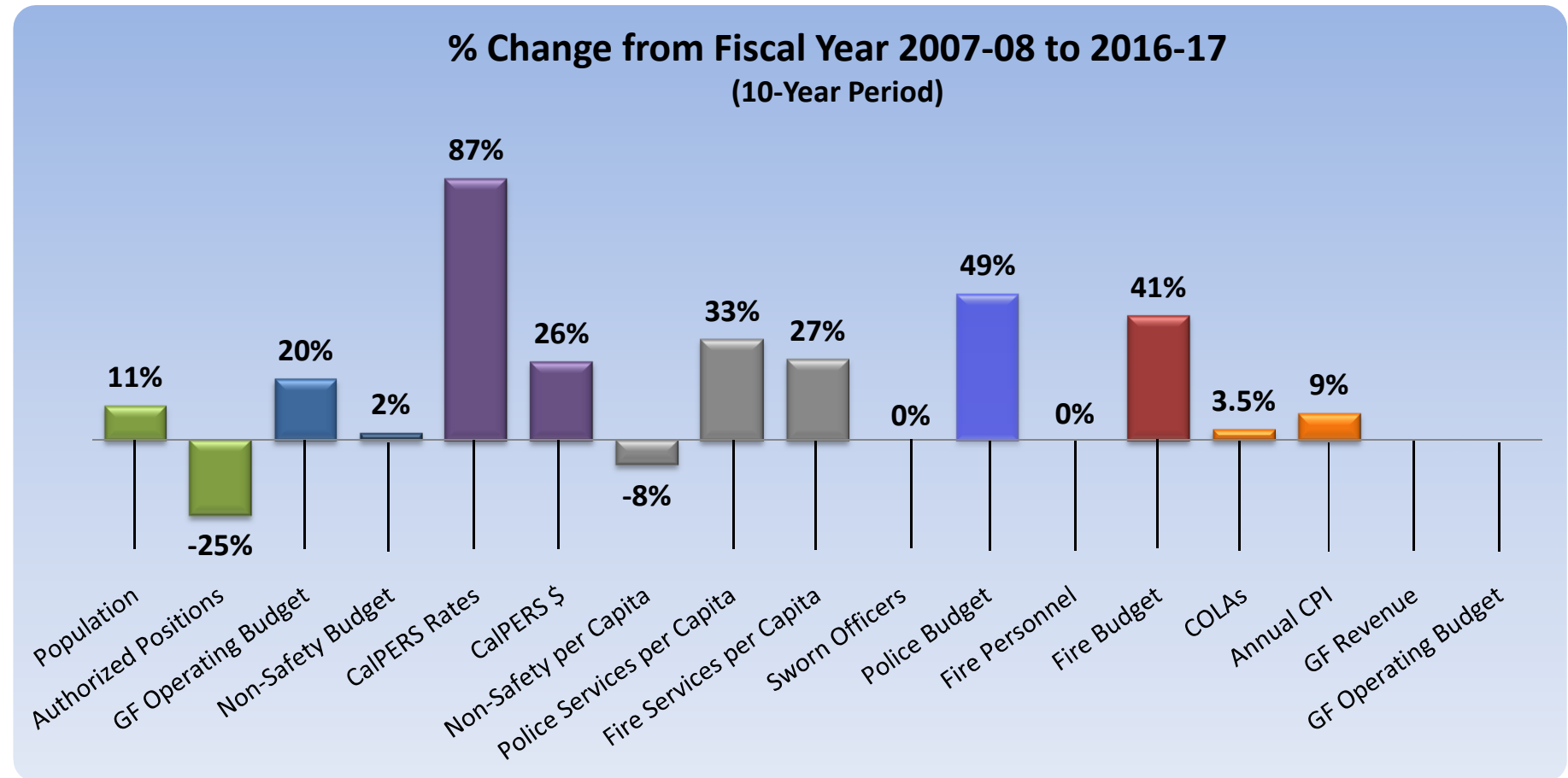
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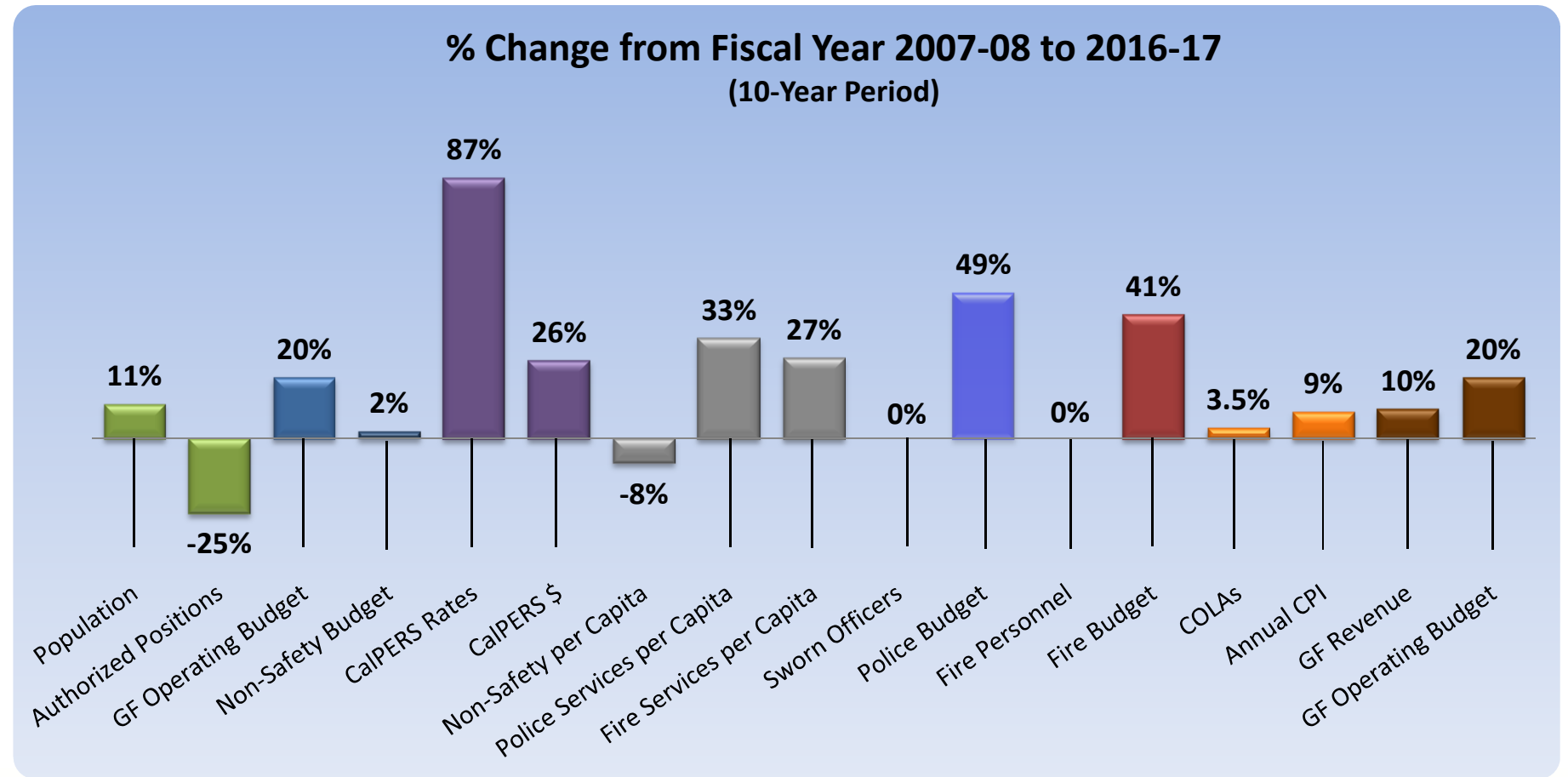
5-Year Financial Plan

10-Year History of Cost Containment Measures



5-Year Financial Plan

10-Year History of Cost Containment Measures



5-Year Financial Plan

10-Year History of Cost Containment Measures

- Staffing reductions
- Strategic debt management
- Operational efficiencies
- Deferred maintenance on facilities, parks & technology

Estimated Annual Savings = \$23.1 million

5-Year Financial Plan

Additional Considerations

- Maintenance and reinvestment in the City's infrastructure
 - Parks/playgrounds/fields
 - Streets & roads
 - Aging facilities
- General Plan Update
 - Fiscal Impact Analysis for General Plan Amendments
- Opening Roripaugh Fire Station No. 95

5-Year Financial Plan

Additional Considerations

- Continued expenditure reductions
- Take advantage of savings opportunities
 - CalPERS prepayment option (\$124k/year)
- Explore new/different law enforcement delivery models (Joint Powers Authority)



“Join the Conversation” Update



“Join the Conversation” - Update

2015 Budget Workshop / Post-Budget Meeting

Engage community to obtain feedback on priorities for maintaining quality of life and essential services

- Community Prioritization workshops
- Professional independent survey and results
- Additional education and engagement direction

“Join the Conversation” - Update

- Survey Monkey, social media, general television and print media, City newsletters, City and school district e-blasts, City and Chamber guides, speakers bureaus, community leaders meetings, etc.
- Over **180,000** impressions in the community



“Join the Conversation” - Update

- Community Priorities include:
 - Maintaining 911 emergency and police response times
 - Preventing cuts to paramedic services, local police and fire protection
 - Maintaining school safety patrols
 - Addressing traffic congestion on local streets
 - Preventing cuts to services for the disabled & seniors
 - Maintaining vital services and the quality of life residents have come to expect



“Join the Conversation” - Update

- Next Steps...
 - Ongoing outreach efforts in June/July
 - June 14, 2016 City Council meeting
 - Operating Budget and Capital Improvement Program adoption
 - Consider award for 2nd independent community opinion survey
 - July 26, 2016 City Council meeting
 - Presentation on 2nd community opinion survey
 - Additional City Council direction



In Conclusion...

Also, Special Thanks To...

**All Department Directors & Analysts
&
Temecula's Budget Team**

Jennifer Hennessy, Rudy Graciano, Pascale Brown,
Shawn Jones & Shirley Robinson



